Ministry of Finance

2015/16 Annual Service Plan Report

BRITISH COLUMBIA

For more information on the Ministry of Finance contact:

Ministry of Finance
PO BOX 9417
STN PROV GOVT
Victoria, B.C. V8W 9V1

or visit our website at:

www.gov.bc.ca/fin

Minister's Message and Accountability Statement

The *Ministry of Finance 2015/16 Annual Service Plan Report* compares the Ministry's actual results to the expected results identified in the *2015/16 - 2017/18 Service Plan.* I am accountable for those results as reported.

I wish to thank the incredibly professional and dedicated staff in the Ministry of Finance who are committed to serving British Columbians.

Honourable Michael de Jong
Minister of Finance

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Purpose of the Ministry

The Ministry of Finance plays a key role in managing government's fiscal, financial and taxation policies. The Ministry also manages policy development and regulation for specific sectors including gaming, financial services, real estate and records management. Policy advice is also provided by the Ministry with respect to federal-provincial arrangements and the stewardship of the Canada Pension Plan. The Ministry has oversight for financial, procurement and administrative governance as well as banking, accounting, and risk and debt management services for the broader public service. The Minister of Finance is accountable for the B.C. Public Service Agency, Public Sector Employers' Council, B.C. Securities Commission, B.C. Lottery Corporation, and Partnerships B.C.

Strategic Direction and Context

Maintaining and protecting the province's triple-A credit rating and balancing the budget were key priorities for the ministry as identified in the 2015/16 Mandate Letter. Other priorities included developing tax legislation to support LNG development, continuing reviews of select crown agencies, and concluding public sector collective agreements under the Economic Stability Mandate.

The Ministry of Finance is also accountable for the *Taxpayer Accountability Principles* - consistent public sector compensation policy, standards of conduct and accountability principles across B.C. public sector organizations that help ensure the best use of government resources.

In December 2015, the Premier announced that the Ministry of Finance would take on responsibility for information management; this commitment to information transparency has resulted in the creation of a new division at Finance, the Corporate Information & Records Management Office (CIRMO). CIRMO covers the full lifecycle of program information management, and leads implementation of the *Information Management Act* and the recommendations from the David Loukidelis Report.

Better than anticipated economic activity last year, particularly in retail sales, housing starts and employment supported stable economic growth in the province. Real GDP for B.C. increased by 3.0 per cent in 2015 (according to preliminary GDP by industry data from Statistics Canada), following growth of 2.9 per cent in 2014. Employment in B.C. grew by 1.2 per cent in 2015, an improvement from the 0.6 per cent growth rate observed the year before. Year-to-date to February 2016, the value of B.C. merchandise exports has increased 2.3 per cent compared to the same period in 2015. Continued fiscal management across the B.C. Public Service has also supported government in a balanced budget.

Employment and population gains also benefitted B.C.'s housing market. Meanwhile, unbalanced global demand and declining commodity prices took a toll on exports and manufacturing shipments. Low interest rates supported the housing market last year, with B.C. housing starts advancing 10.9 per cent in 2015 to reach 31,446 units, slightly higher than the average rate of construction observed over the past couple of decades. British Columbia's declining taxpayer-supported debt burden is one of the lowest in Canada, which translates into a strong credit rating and lower debt service costs for B.C. taxpayers.

Report on Performance

This section reflects performance related to the goals, objectives, performance measures and targets contained in the *Ministry of Finance 2015/16 - 2017/18 Service Plan*. In developing and reporting on performance measures and targets in the Annual Service Plan Report, the Ministry incorporates input and data from reliable independent and government sources. These data sources include Ministry financial and business information systems, major credit rating agencies, *Public Accounts*, and provincial statutes.

In July 2015, the Minister was given a mandate letter that provides directions to support government's priorities. Progress on these directions is outlined in Appendix D.

In setting performance targets, the Ministry considers past performance trends, government priorities, continuous improvement and the availability of resources. Setting meaningful performance measures and targets, and objectively measuring results allows the Ministry to introduce corrective actions as necessary to ensure that it achieves the goals set out in the Service Plan. Comparable information from prior years is provided for the purpose of historical comparison.

Ministry revenue is audited by the Office of the Auditor General as part of the Summary Financial Statements and reported in the annual *Public Accounts* of the Government of British Columbia. Debt collection data is monitored by the managers responsible and reviewed by the Ministry's Executive Financial Officer.

In accordance with direction provided on the implementation of the Taxpayer Accountability Principles, the Minister of Finance issued mandate letters for 2015/16 to the British Columbia Securities Commission, the British Columbia Lottery Corporation and Partnerships B.C. The ministry works directly with each of these crowns to ensure productive two-way communication between senior staff in these public sector entities and to hold the crowns accountable for the outcomes and measurements identified in their mandate letters.

Goal 1: Sound and transparent management of government finances

Confidence in British Columbia's economy is important for attracting investment and creating jobs, and is supported by a sound and sustainable fiscal environment. Responsible fiscal policies ensure that the government can maintain and enhance the delivery of key public services and that the costs of public services are not passed on to future generations. Public confidence is further enhanced by open accountability that demonstrates the appropriate management of government finances.

Objective 1.1: Effective management of government's fiscal plan

The government's ability to achieve a sustainable fiscal environment relies on the development and maintenance of a prudent and resilient fiscal plan. The Ministry plays a critical role in overseeing the fiscal plan and works closely with the federal government, provincial ministries and other public sector partners to ensure that government's annual and three-year revenue, and operating and capital expenditure targets are met.

Strategies

- Continuously monitor revenues, spending and debt set out in the fiscal plan and take corrective action as required to meet targets.
- Identify and propose options for legislation to Cabinet to create the Prosperity Fund.
- Ensure effective cash management to minimize borrowing requirements and debt service costs.
- Continue to explore economic opportunities to issue British Columbia bonds in world bond markets.
- Manage government's 10 year capital plan ensuring strategic investments in infrastructure, including hospitals, roads and schools, across the province reflect the priorities of government as outlined in *Strong Economy, Secure Tomorrow*.

Performance Measure 1: Provincial credit rating

Performance Measure	2013/14 Actual	2014/15 Actual	2015/16 Target	2015/16 Actual	2016/17 Target	2017/18 Target
Provincial credit rating	triple-A	triple-A	triple-A	triple-A	triple-A	triple-A
Data Source: Moody's Investors Service and/or Standard and Poor's (Credit Rating Agencies).						

Discussion

This measure is the provincial credit rating determined by Moody's Investors Service (Moody's) or Standard and Poor's (S&P), both recognized as independent rating agencies. This credit rating influences the interest rate that the Province is charged when it borrows in domestic and international capital markets. In general, credit ratings are provided in descending range from AAA to C with triple-A being the highest and assigned to those public and private sector organizations that are assessed as borrowers with excellent financial security and low risk for investor loss. Organizations with a triple-A credit rating are generally offered the lowest interest rates when borrowing.

In determining the Province's credit rating, rating agencies evaluate debt as a percentage of Gross Domestic Product (GDP) and of revenues, and interest owing as a percentage of gross receipts. Agencies also consider the government's track record in meeting its fiscal targets, its transparency in budgeting and reporting, overall economic outlook, and business and consumer confidence in the economy.

With government's continued focus on prudent fiscal management, the Province maintained its triple-A credit rating from Moody's and S&P; this rating was most recently reaffirmed by Moody's and S&P in April 2016. British Columbia has maintained a triple-A rating from Moody's for the last ten years (S&P for nine years).

Performance Measure 2: Budget deficit / surplus

Performance Measure	2013/14 Actual	2014/15 Actual	2015/16 Target	2015/16 Actual	2016/17 Target	2017/18 Target
Budget deficit / surplus	$353M surplus	$1,683M surplus	As set out in budget and fiscal plan	$730M surplus	As set out in budget and fiscal plan	As set out in budget and fiscal plan
Data Source: *British Columbia Budget and Fiscal Plan.*						

Discussion

The 2015/16 *Public Accounts* show government posting a $730 million surplus, a $446 million improvement over the budget target as the effects of $1.2 billion higher revenue and an unused $250 million forecast allowance were partially offset by increased spending of $1.0 billion. Revenue improvements were mainly due to higher income and property transfer taxes and higher spending was mainly statutory in support of direct fire-fighting costs, emergency programs, higher spending on programs with costs recovered from third parties, and higher spending by government agencies funded in part by other revenue sources. In addition, government established the B.C. Prosperity Fund in 2015/16 with an inaugural $100 million contribution. Government continues to uphold its commitment to balanced budgets in *Budget 2016*, which was tabled in the Legislature in February 2016.

Objective 1.2: Accountable, efficient and transparent financial and program management across government

The Ministry supports accountability and transparency through the public release of financial and program information, and a variety of governance frameworks that apply to ministries and the broader public sector. The successful implementation of effective governance frameworks supports increased value for use of public funds and contributes to public confidence in government. To facilitate the application of these frameworks, the Ministry supports government with tools and training to build necessary capacity.

Strategies

- Provide governance and oversight to:
  - Ensure all government entities (e.g. ministries, Crown agencies, etc.) are publicly accountable for their programs, services and fiscal management, including implementing the common taxpayer accountability principles, and continuing Crown Reviews for Crown corporations and other designated organizations.
  - Ensure appropriate financial and program management, systems and guidance are in place for the broader public service.
- Use risk-based approaches to effectively manage government's resources.
- Undertake strategic reviews of government business processes to identify opportunities to maximize efficiency.
- Meet statutory reporting requirements and comply with generally accepted accounting principles (GAAP).

Performance Measure 3, 4 and 5: Annual Release Dates for Budget and Public Accounts, and Audit Opinion

Performance Measure	2008/09 Baseline	2014/15 Actual	2015/16 Target	2015/16 Actual	2016/17 Target	2017/18 Target
Release date of the *Budget*	3rd Tuesday of February	February 17, 2015	February 16, 2016	February 16, 2016	Measure retired	Measure retired
Completion date of the *Public Accounts**	By August 31st	June 28, 2015	On or before June 30, 2016	June 27, 2016	Measure retired	Measure retired
Audit Opinion	Qualified but positive audit opinion from the Office of the Auditor General	Qualified but positive audit opinion from the Office of the Auditor General	Public Accounts in compliance with GAAP	Qualified but positive audit opinion from the Office of the Auditor General	Public Accounts in compliance with GAAP	Public Accounts in compliance with GAAP

Data Source: Release of the *Public Accounts*.

* The legislated due date for the release of the *Public Accounts* is August 31st for the previous fiscal year.

Discussion

The first two measures indicate whether government met legislative requirements under the *Budget Transparency and Accountability Act*. These measures were retired in the Ministry of Finance 2016/17 – 2018/19 Service Plan as they are sub-optimal indicators of the ministry's performance. More appropriate measures of the ministry's performance, including maintaining the provinces triple-A credit rating and balancing the budget, have been implemented since these two measures were developed in 2008/09 and better reflect the ministry's overall performance.

The third measure is an indication of government's transparency in accounting for its finances. In preparing the *Public Accounts*, the Ministry strives to provide an accurate and fair representation of the government's financial position in accordance with generally accepted accounting principles (GAAP). To validate this position, government seeks an independent audit opinion that offers an objective assessment of its financial reporting. The independent audit opinion, provided by the Office of the Auditor General, confirmed that the *Public Accounts* are in compliance with GAAP.

Goal 2: A strong, competitive and vibrant economy

Objective 2.1: A fair and competitive tax and regulatory environment

A tax system that is perceived by British Columbians to be fair increases their confidence in government. Furthermore, the Province's ability to develop a strong and vibrant economy depends on a tax and regulatory environment that is both nationally and internationally competitive. Jurisdictions with competitive tax regimes and regulatory frameworks are successful in attracting and retaining personal and business investment. This success in turn enhances economic development and generates stable revenues to support critical government services such as health care and education.

Strategies

- Support the *B.C. Jobs Plan* through tax initiatives, fiscal responsibility, and the elimination of red tape in order to foster an environment that encourages economic growth and business success.
- Continue to improve the fairness, competitiveness and sustainability of the provincial tax system.
  - Review and implement all tax changes including small business tax reductions and tax credits for teachers and parents that were promised in *Strong Economy, Secure Tomorrow*.
  - Consider and implement the recommendations of the Tax Competitiveness Panel.
  - Review the impacts of the carbon tax on British Columbian manufacturers and provide options to Cabinet on how to address these impacts.
- Ensure financial and corporate regulatory frameworks are efficient and effective, and protect the public interest.
- Undertake investor tours to promote British Columbia as a good place to invest as a result of our fiscal discipline and competitive tax environment.
- Promote participation of Vancouver in Canada's offshore Renminbi centre for North America and continue to support Schedule III banks, including Asian lending institutions, wishing to locate their offices in British Columbia.
- Advance B.C.'s interests with the federal and other provincial governments on federal-provincial fiscal relations.
- Develop a Cooperative Capital Markets Regulatory System in partnership with other Canadian jurisdictions that will better protect investors, enhance Canada's financial services sector, support efficient capital markets and manage systemic risk.

Performance Measure 6, 7 and 8: Provincial Income Tax Ranking

Performance Measure	Benchmark	2014/15 Actual	2015/16 Target	2015/16 Actual	2016/17 Target	2017/18 Target
Provincial ranking of corporate income tax rates	Remain in the lowest four*	Second Lowest	Remain in the lowest four	Lowest	Remain in the lowest four	Remain in the lowest four
Provincial ranking of personal income tax rates for the bottom tax bracket	Remain in the lowest two**	Second Lowest	Remain in the lowest two	Second Lowest	Remain in the lowest two	Remain in the lowest two
Provincial ranking of personal income tax rates for the second-from-bottom tax bracket	Remain in the lowest two**	Lowest	Remain in the lowest two	Lowest	Remain in the lowest two	Remain in the lowest two

Data Source: Published legislation and budgets from all 10 provinces.
* This measure was benchmarked in 2008/09.
** These measures were benchmarked in 2010/11.

Discussion

The measure of the provincial ranking of corporate income tax rates compares the general corporate income tax rate in British Columbia, as of March 31 each year, to those of other provinces in Canada. The targets reflect government's commitment to maintaining a competitive tax environment that fosters economic growth by encouraging business investment and promoting a business-friendly environment. As of March 31, 2016, British Columbia had the lowest corporate income tax rate in Canada.

The two measures of the provincial ranking of personal income tax rates compare British Columbia's personal income tax rates for the bottom two tax brackets, as of March 31 each year, with those of the other nine provinces. These targets demonstrate government's commitment to maintaining low tax rates for individuals and families living and working in British Columbia.

In 2015/16, British Columbia met or exceeded the performance targets, providing competitive income tax rates for businesses, individuals and families.

Objective 2.2: Responsive, effective and fair revenue, tax and benefit administration that funds provincial programs and services

The Ministry manages revenue in relation to statutes it directly administers, as well as statutes administered by other ministries. These revenues support the provision of important government programs and services such as health care, education, social services and transportation infrastructure for British Columbians.

The Ministry is committed to identifying and collecting amounts owed to government in a manner that is fair and respectful to citizens and taxpayers.

Strategies

- Simplify and streamline tax and other revenue legislation administration.
- Improve customer service through increased access to online services.
- Focus compliance activities on areas with the highest risk of non-compliance.
- Explore further opportunities for applying technological solutions to improve compliance and enforcement activities.
- Improve collaboration across jurisdictions to help ensure tax revenue owed to the Province is identified and received in a timely manner.
- Improve practices used to collect outstanding amounts owed to government.
- Continue to consolidate government revenue management.

Performance Measure 9: Per cent of Amounts Owed to Government Paid or Collected

Performance Measure	2013/14 Baseline	2014/15 Actual	2015/16 Target	2015/16 Actual	2016/17 Target	2017/18 Target
Per cent of amounts owed to government paid or collected*	95.7%	95.47%	95.7%	95.2%	95.7%	95.7%

Data Source: Ministry of Finance business information systems.
* This measure includes all amounts owed to government and administered by the Ministry of Finance. Amounts owed to government include revenue identified during the fiscal year and overdue accounts from the current and previous fiscal years. These amounts may be billed by the Ministry, self-assessed by individuals and businesses, or identified by the Ministry through audit and compliance activities.

Discussion

This measure reports on the success of the Ministry in collecting all amounts under its administration owed to government in a specific fiscal year. This measure includes amounts owed to government where the Ministry is responsible for both revenue and debt collection functions. It excludes revenue and debt collections for personal and corporate income taxes collected by the Canada Revenue Agency on behalf of the Province.

In 2015/16, the Ministry collected $16.64 billion in revenue and overdue accounts - 95.20 per cent of the amount owed – substantively achieving the target. These results reflects the Ministry's success in billing, collection and audit and compliance activities in addition to the ongoing efforts to provide

information, tools and quality customer service - making it easier for British Columbians to understand and fulfill their obligations.

Goal 3: The public has confidence in B.C.'s gaming sector

Commercial gaming in B.C. is a $2.7 billion a year industry, contributing $1.2 billion annually to government revenue to support health care, education, social programs, local governments and thousands of community organizations. The Ministry ensures that gaming in the province is conducted responsibly and with integrity for the benefit of British Columbians.

Objective 3.1: Appropriate policy, oversight and regulation of gaming

The Ministry of Finance develops policy and standards that regulate the gaming sector, ensuring the appropriate licensing, registration and certification of people and companies involved in the gaming sector, gaming activities comply with regulations, and gaming is delivered in a manner that supports responsible gambling and informed choice.

Strategies

- Ensure policies and standards support the integrity of gaming and provide a foundation for assessing compliance.
- Ensure a multidisciplinary, collaborative approach to identify and evaluate strategic challenges and opportunities, and implement timely responses.
- Align activities and services to reflect current and emerging gaming sector trends, and focus resources on business priorities, and areas of opportunity and greatest risk.
- Implement the Internal Audit and Advisory Services (IAAS) recommendations resulting from the *Review of British Columbia Lottery Corporation*.

Performance Measure 10: Gaming sector compliance with policies and standards

Performance Measure	2014/15 Baseline	2015/16 Target	2015/16 Actual	2016/17 Target	2017/18 Target
Gaming sector compliance with policies and standards*	n/a	n/a	n/a	n/a	n/a
*Government undertook a substantial audit of the gaming sector in 2014 which will inform a new performance measure.					

Discussion

The Ministry has retired this performance measure for the 2016/17 Service Plan, and is moving to outcome based performance measures for the next planning cycle. Currently the Ministry is developing a risk weighted decision matrix for auditing compliance of industry participants. The Ministry will pilot this across a single sector in 2016/17 with the intent of extending the weighting tool across all gaming compliance fields in 2017/18. A baseline based on the risk weighted compliance tool will be established in 2017/18.

The Ministry is also developing a resource deployment measure to be implemented along with the sector compliance tool that is being developed.

Corporate Records and Information Management Office

On December 16, 2015 responsibility for information access policy and operations was moved from the Ministry of Technology, Innovation and Citizens' Services to the Ministry of Finance. As a result the following performance measure from the Ministry of Technology, Innovation and Citizens' Services 2015/16 – 2017/18 Service Plan will be accounted for in this annual service plan report.

Performance Measure 11:[1] Cost to complete a Freedom of Information request

Performance Measure	2008/09 Baseline	2014/15 Actual	2015/16 Target	2015/16 Actual	2016/17 Target	2017/18 Target
Cost to complete a Freedom of Information Request	$1,190	$943	Outperform baseline by at least 20%	$893	Outperform baseline by at least 20%	Outperform baseline by at least 20%
Data Source: Corporate Request Tracking System and AXIS Tracking System.						

Discussion

In 2015/16, Information Access Operations (IAO) outperformed the baseline cost by 25 per cent. Government closed approximately six per cent more requests with the same resources, and the average cost to complete an FOI request decreased from $943 in 2014/15 to $893 in 2015/16. Efficiency gains are largely a result of improved technology and ongoing continuous improvement activities.

In 2016/17, IAO will be implementing a number of cross-government initiatives, including recommendations from the Loukidelis report and the new proactive release categories of calendars, directly awarded contracts, ministerial expenses and active FOI requests. The IAO's overall staffing complement is being increased in 2016/17 to operationalize these important initiatives and to continue to provide high levels of client service on FOI requests.

[1] Originally Performance Measure 4 in the Ministry of Technology, Innovation and Citizens' Services 2015/16 -2017/18 Service Plan

Finance Resource Summary

Core Business Area	2015/16 Estimated (restated)	Other Authori-zations[1]	Total Estimated	Actual	Variance
Operating Expenses ($000)					
Treasury Board Staff[2]	6,713	0	6,713	5,443	(1,270)
Office of the Comptroller General[2]	18,545	0	18,545	18,351	(194)
Treasury	1	0	1	0	(1)
Revenue Division					
Gross	210,826	0	210,826	179,880	(30,946)
Recoveries	(127,250)	0	(127,250)	(109,060)	18,190
Net[3]	83,576	0	83,576	70.820	(12,756)
Policy and Legislation[2]	4,979	0	4,979	4,905	(74)
Public Sector Employers' Council Secretariat[2]	16,641	0	16,641	16,166	(475)
Corporate Information and Records Management Office[4]	12,201	0	12,201	13,488	1,287
Internal Audit and Advisory Services	3,166	0	3,166	3,318	152
Executive and Support Services[4&5]	12,814	0	12,814	15,239	2,425
Gaming Policy and Enforcement[2]	19,872	0	19,872	19,283	(589)
Insurance and Risk Management Account[6]	4,191	3,574	7,765	7,765	0
Provincial Home Acquisition Wind Up Special Account[2]	10	0	10	4	(6)
Sub-total	**182,709**	**3,574**	**186,283**	**174,783**	**(11,500)**
Funding for BC Prosperity Fund[7]		100,000	100,000	100,0000	0
Financial Administration Act[8]		9,943	9,943	9,943	0
Sub-total	**182,709**	**113,517**	**296,226**	**284,726**	**(11,500)**
Teachers' Pension Plan Prior Year Accrual[9]	0	0	0	(15,529)	(15,529)
Provincial Home Acquisition Wind Up Special Account[9]	0	0	0	(48)	(48)
Other Adjustments of Prior Year Accrual[9]	0	0	0	(1,596)	(1,596)
Total	**182,709**	**113,517**	**296,226**	**267,553**	**(28,673)**

Core Business Area	2015/16 Estimated	Other Authori-zations[1]	Total Estimated	2015/16 Actual	Variance
Ministry Capital Expenditures (Consolidated Revenue Fund) ($000)					
Executive and Support Services[2]	473		473	332	(141)
Total	473	0	473	332	(141)

Other Financing Transactions ($000)					
Reconstruction Loan Portfolio					
Receipts	(10,000)		(10,000)	(6,570)	3,430
Disbursements	25		25	0	(25)
Net Cash (Requirements)[10]	(9,975)	0	(9,975)	(6,570)	3,405
Student Aid BC Loan Program					
Receipts	(115,000)		(115,000)	(135,343)	(20,343)
Disbursements	230,000		230,000	199,430	(30,570)
Net Cash (Requirements)[11]	115,000	0	115,000	64,087	(50,914)
International Fuel Tax Agreement Motor Fuel Tax Act					
Receipts	(14,000)		(14,000)	(14,915)	(915)
Disbursements	2,550		2,550	2,768	218
Net Cash (Requirements)[12]	(11,450)	0	(11,450)	(12,147)	(697)
Land Tax Deferment Act					
Receipts	(58,000)		(58,000)	(76,143)	(18,143)
Disbursements	120,000		120,000	136,344	16,344
Net Cash (Requirements)[13]	62,000	0	62,000	60,201	(1,799)
Provincial Home Acquisition Wind Up Special Account					
Receipts	(10)	0	(10)	0	10

1. "Other Authorizations" include Supplementary Estimates, Statutory Appropriations and approved funding from the Contingencies Vote.
2. Variance was due to administrative efficiencies and lower than anticipated spending.
3. Net savings largely due to lower than anticipated administrative costs for the Student Loan Program and Medical Services Plan.
4. Restated to include Corporate Information and Records Management Office reorganization and related budget transfer from Ministry of Technology, Innovation and Citizen Services.
5. Actual expenditures include a number of unanticipated corporate charges that were centrally managed within Executive and Support Services.
6. Spending limit for the Insurance and Risk Management Special Account was increased to fund actuarially estimated claim costs that were higher than anticipated.
7. The BC Prosperity Fund was newly established in 2015/16.
8. Includes centrally funded expenditures for the Economic Stability Dividend.
9. Represents a reversal of estimated expenditures recorded in the previous year.
10. The variance is commensurate with the gradual wind-up of this program.
11. The variance was due to lower than anticipated disbursements to students and higher than anticipated loan repayments by students.
12. The variance was due to diesel price fluctuations and business and economic changes in Canada and the U.S.
13. The variance was due to higher than anticipated demand for the program.

Appendix A: Contact Information and Hyperlinks to Additional Information

Contact Information

Includes ministry, regional offices and/or FrontCounter BC contact information, including physical addresses, phone numbers, email and hyperlinks.

Ministry Central Office

PO Box 9417 Stn Prov Govt
Victoria BC V8W 9V1
Phone: 250 387-3184

Minister's Office

Honourable Michael de Jong
PO Box 9048 Stn Prov Govt
Victoria BC V8W 9E2
Phone: 250 387-3751

Media Queries

Phone: 250 356-9872

Problem Gambling Help Line

For help in recognizing the warning signs of problem gambling and to get information on free programs, services and resources available to assist problem gamblers and their families:

Call 1 888 795-6111 or visit www.bcresponsiblegambling.ca (confidential, free service available 24 hours/7 days, in multiple languages)

Tax Questions

For questions about British Columbia's Provincial Sales Tax, Motor Fuel Tax, Tobacco Tax, Carbon Tax, Tax on Designated Property and Residential Energy Credit and Rebate program:

Toll-free anywhere in B.C. 1 877 388-4440 or email: CTBTaxQuestions@gov.bc.ca

Reports and Publications

For the Budget and Fiscal Plan, Estimates, Public Accounts, Quarterly Reports, Financial and Economic Review, and other reports and publications of the British Columbia Ministry of Finance, please visit: www.fin.gov.bc.ca/pubs.htm

For more information and other Ministry Service Plans and Annual Service Plan Reports, please visit: http://www.bcbudget.gov.bc.ca/default.htm

Listing of Ministry Legislation

http://www.bclaws.ca/civix/document/id/amr/amr/172897626

The Minister of Finance is also the Minister responsible for the following Crown corporations, Boards and Commissions:

Crown Corporations

- B.C. Securities Commission: www.bcsc.bc.ca/
- B.C. Lottery Corporation: www.bclc.com/
- Partnerships B.C.: www.partnershipsbc.ca/

Boards and Commissions

- Financial Institutions Commission: www.fic.gov.bc.ca/
- Financial Services Tribunal: www.fst.gov.bc.ca/
- Insurance Council of British Columbia: www.insurancecouncilofbc.com/PublicWeb/
- Public Sector Employers' Council: www.fin.gov.bc.ca/psec/
- Real Estate Council of British Columbia: www.recbc.ca/

Appendix B: B.C. Public Service Agency

Purpose of the Agency

The B.C. Public Service Agency provides human resource leadership, expertise, services and programs that contribute to better business performance of ministries and government as a whole.

Strategic Direction and Context

The B.C. Public Service is the largest corporate workforce in the province, serving all communities across British Columbia. From frontline workers to accountants and architects, researchers and analysts, information technology professionals and others, there is virtually no area of expertise unrepresented. Public servants provide a wide range of services to British Columbians such as health care, public safety, education, and environmental management, to name a few.

The B.C. Public Service Agency supports the work these public servants do by providing human resource services such as hiring, payroll, labour relations and learning. In doing so, it helps ensure the B.C. Public Service continues to have the right people to do that work.

This service plan includes the priorities and initiatives that were outlined in the Minister of Finance's mandate letter. Additionally, the ministry is supportive of and compliant with the *Taxpayer Accountability Principles*.

The Canadian economy continues to improve, and while not all regions are expected to experience growth, many are forecasting positive economic performance over the next couple of years. In particular, British Columbia is expected to lead Canada in economic growth. As the economy improves, so does the possibility for a tightening of the labour market, where organizations can expect increased competition for skilled employees.

The public sector remains focused on fiscal responsibility by balancing budgets and bringing deficits under control. It remains a priority to control public sector spending and find ways to deliver services in a more effective manner.

Changing demographics, such as an aging and increasingly diverse population, continue to influence employers in many ways. An aging workforce is contributing to rising benefits costs through factors such as higher benefit utilization, increased absenteeism and escalating health premiums. As benefits costs make up an increasing percentage of the total cost of employment, the B.C. Public Service is working to contain these costs through a proactive and preventative approach to supporting a healthy and productive workforce.

While global economic influences delayed the retirement of many baby boomers, the oldest of this cohort is now aged 69 and beginning to exit the workforce in growing numbers. This exodus is only expected to increase, and when combined with fewer entrants to the workforce and greater demand for skilled workers, will bring about both labour and skill shortages. The increased competition will require organizations to put greater emphasis on recruitment and retention.

Statistics Canada predicts that by 2030, net population growth in Canada will be due to immigration, which will partially offset the effects of our aging population, but will not be enough to prevent the tightening of the labour market. At the same time, the expected growth in immigration indicates the Canadian public sector can expect increased diversity in both their workforce, as well as the citizens they serve.

Recognizing this changing dynamic, the Agency is responsible for ensuring the Public Service has the commitment, capacity and capability within its workforce to meet the needs of British Columbians now and in the future.

Report on Performance

Goal 1: Provide high quality and innovative workforce solutions that enable the B.C. Public Service to deliver services expected and needed by British Columbians.

Objective 1.1: Modernized, responsive and flexible management of human resources.

Objective 1.2: Informed and strategically aligned resources supporting the delivery of human resource services.

Objective 1.3: Focused and purposeful investment in human resources.

Objective 1.4: The goals of the corporate human resource plan for the B.C. Public Service, *Being the Best 2014*, are realized.

Strategies

- Seek opportunities to refine the delivery of human resource services to align with leading practices, reduce HR transactional costs, improve service quality and redirect funding to specialized services.
- Conclude negotiations of public sector collective agreements in line with the B.C. Public Service Economic Stability wage mandate.
- Build on the success of the Lean B.C. initiative by leading a shift in our approach to Lean Six Sigma, from a focus on showcase Lean projects to more emphasis on continuous improvement in our daily work.
- Continue supporting implementation of the corporate diversity strategy, *Reflecting our Communities*, including a renewed focus on enhancing accessibility and engagement for people with disabilities.
- Keep investing in technologies to automate the capture and transfer of critical employee data to improve the efficiency and integrity of data management to support improved evidence based decision making and strategic workforce planning.

- Remain focused on delivering a health and productivity strategy that takes a proactive and preventative approach in supporting a healthy and productive workforce and avoiding B.C. Public Service benefit cost increases due to illness and disability.
- Implement the strategies outlined in the Corporate HR plan, *Being the Best 2014*, and develop a revitalized human resource strategy with an increased emphasis on succession planning, employee development and knowledge transfer to address the expected increase in retirements and shortage of skilled labour.

Performance Measure 1: Absences related to illness and injury days per Full Time Equivalent (FTE)

Performance Measure	2013/2014 Actual	2014/15 Actual	2015/16 Target	2015/16 Actual	2016/17 Target	2017/18 Target
Absences related to illness & injury days per FTE*	8.9 days	8.7 days	9.1 days	8.5 days	9.0 days	8.9 days

Data Source: BC Public Service Agency.

* For the purpose of this performance measure, absences refer to short term illness and non-occupational injuries.

Discussion

The B.C. Public Service recognizes that where employees are supported to optimize their health, better customer service to the public is provided. However, a workforce with changing demographics and the rising prevalence of chronic disease in the population in general are challenges faced not only by the B.C. Public Service, but by all employers in British Columbia.

This measure identifies the number of days lost due to illness and injury. The number of days lost over the last several years has slowly been decreasing despite an aging workforce.

The B.C. Public Service continues to compare favourably against the Canadian provincial public sector average of 9.8 days and the federal public sector at 11.9 days[2]. The difference reflects our ongoing focus on health promotion and prevention services, at-work supports for employees with illnesses or injuries, and timely rehabilitation and return to work for employees who are off work due to an illness or injury.

The B.C. Public Service remains committed to an emphasis on early interventions and services which are expected to have long-term positive impacts on employee health outcomes. Over time this will result in continued lower leave absences due to illness and injury despite changes in workforce demographics.

[2]Data Source: Statistics Canada

Performance Measure 2 and 3: Workforce utilization

Performance Measure	2013/14 Actual	2014/15 Actual	2015/16 Target	2015/16 Actual	2016/17 Target	2017/18 Target
Reduction in FTE utilization	26,526	26,678	26,500	27,192*	27,400	27,600
Auxiliaries as a percentage of the workforce	6.2%	7.2%	5%	7.85%*	6%	6%

Data Source: BC Public Service Agency.
*See the explanation below for why the 2015/16 target was not achieved.

Discussion

In 2015/16, Full Time Equivalent (FTE) utilization increased by 514 due to the more extreme wildfire season requiring additional seasonal FTEs, government's commitment to filling positions which are critical to front line service delivery, such as hiring additional social workers, and to support priorities within the Natural Resource sector including implementation of the new *Water Sustainability Act*.

Full-time equivalent (FTE) staff utilization is projected to increase to 27,400 in 2016/17 based primarily on the need to hire additional social workers, as well additional staff required for the new Okanagan Correctional Centre.

Going forward, FTE utilization is projected to increase again in 2017/18 to 27,600 due to continued hiring of social workers and finalizing hiring for the new correctional centre.

The hiring of auxiliaries is intended to fill short-term business needs, either for an interim, cyclical or seasonal basis. Monitoring the proportion of auxiliaries in the workforce helps to ensure hiring levels support B.C. Public Service FTE utilization targets.

There are a large number of seasonal auxiliaries required for fighting wildfires that fall outside of the requirement for organizations to maintain an auxiliary level of 5% or less. Without these seasonal wildfire auxiliaries, the proportion of auxiliaries in the workforce would have been 4.43% for fiscal 2015/16. Going forward, given the increasing number of seasonal auxiliary FTEs required for fighting wildfires over the last few years, the target of 6% will be reviewed.

Financial Report Summary Tables

BC Public Service Agency	2015/16 Estimated	Other Authorizations	Total Estimated	2015/16 Actual	Variance
Operating Expenses ($000)					
Operations[1]	50,957	0	50,957	50,396	(561)
Adjustment of Prior Year Accrual[2]	0	0	0	(30)	(30)
Total	**50,957**	**0**	**50,957**	**50,366**	**(591)**
Ministry Capital Expenditures (Consolidated Revenue Fund) ($000)					
Operations	0	0	0	0	0
Total	**0**	**0**	**0**	**0**	**0**

1. $0.85 million of the $0.561 million operations variance is due to government budget management restrictions.
2. The Adjustment of Prior Year Accrual of $0.030 million is a reversal of accruals in the previous year.

BC Public Service Agency	2015/16 Estimated	Other Authorizations	Total Estimated	2015/16 Actual	Variance
Operating Expenses ($000)					
Benefits	1	0	1	0	(1)
Adjustment of Prior Year Accrual[1]	0	0	0	(128)	(128)
Total	**1**	**0**	**1**	**(128)**	**(129)**

1. The Adjustment of Prior Year Accrual of $0.128 million is a reversal of accruals in the previous year.

Appendix C: Public Sector Employers' Council Secretariat

The Public Sector Employers' Council Secretariat supported employers and bargaining agents in the settlement of 178 collective agreements consistent with the 2014 Economic Stability Mandate (5.5% over five years plus Economic Stability Dividend). As of June 30, 2016, this brings the total to more than 312,000 individuals – or about 99.9% of all unionized B.C. public sector employees – covered by tentative or ratified agreements successfully negotiated under the provincial bargaining mandate.

In keeping with the negotiated collective agreements and as a result of B.C.'s stronger-than-expected economic growth in 2014, the Secretariat coordinated the implementation of a 0.45% Economic Stability Dividend for eligible public sector workers. For the vast majority of eligible workers, the additional wage increase took effect in February 2016. The Secretariat worked with public sector employers to provide some flexibility for modest wage adjustments for excluded employees to address demonstrable instances of compression and inversion or retention of high-performing employees.

The Secretariat also assisted/liaised with all public sector employers in aligning their compensation plans with a common public sector compensation philosophy consistent with the recommendations from the *2014 Public Sector Compensation Review* and in keeping with the Province's Taxpayer Accountability Principles. Updated compensation philosophies have been approved by the Minister responsible for the *Public Sector Employers* Act, and will ensure greater consistency in compensation decisions based on a common set of core principles including performance, differentiation, accountability and transparency, as well as shared benchmarking tools.

The Secretariat hosted a Public Sector Governance Open House, attended by approximately 100 people representing organizations from across the B.C. public sector to provide clarity and guidance on accountability and disclosure policies and processes; additionally, the event provided the opportunity for discussion on other topics of interest, including government's priorities and ethics in the public sector.

The Secretariat is engaged in a three-year project to redevelop data systems to improve efficiency of data management to support collective bargaining and excluded and executive compensation reporting.

The Secretariat continued to work with plan partners and trustees in the four public sector pension plans with a focus on improvements and modernization of the plans within existing funding levels to accomplish the objectives of the Government Partners Principles and Strategic Framework for the Public Sector Pension Plans and to address challenges and changing membership demographics.

Achievements:

- Implemented plan design changes in the College Pension Plan;
- Reached agreement on plan design changes in the Teachers' Pension Plan;
- Made significant progress in identifying options for plan design changes in the Public Service Pension Plan; and,
- Continued to make progress toward a further incremental plan design changes in the Municipal Pension Plan.

Employers' Associations

The mandates and purposes of these associations include coordinating compensation, benefit administration, bargaining and labour relations within their respective sectors, as outlined in sections 6 and 7 of the *Public Sector Employers Act*.

Each of the employers' associations has a governance structure as follows:

- British Columbia Public School Employers' Association (BCPSEA) is currently governed by a government-appointed Public Administrator.
- Health Employers' Association of British Columbia (HEABC) has an 11-person board. Six of its members are appointed from the health authorities; two by the provincial government; and one each from proprietary care providers, affiliated care providers and denominational care providers.
- Post-Secondary Employers' Association (PSEA) has a 10-person board. Six of its members are elected annually from member employers; two are appointed by the provincial government; and two non-voting members are the Chair and Vice-chair of the PSEA's Standing Committee on Human Resource Practices.
- Community Social Services Employers' Association (CSSEA) has a board of up to 11 directors. Seven of these directors are appointed by representatives of social service agencies; one is appointed by Community Living British Columbia; and up to three are appointed by the provincial government.
- University Public Sector Employers' Association (UPSEA) is the research university sector level association and is governed by a Memorandum of Understanding signed by the Presidents. The membership of UPSEA[3] is the six university presidents or their designate and two senior provincial government representatives.
- Crown Corporations Employers' Association (CCEA) has a board of up to 11 directors. Eight members are elected or appointed from among member employers; two appointed by the provincial government; and the Chair is elected from CEOs of member employers.

Funding to four of the employers' associations: BCPSEA, HEABC, PSEA and CSSEA, is provided by the Public Sector Employers' Council Secretariat.

[3] UPSEA university membership includes the University of British Columbia, University of Victoria, Simon Fraser University, University of Northern British Columbia, Royal Roads University and Thompson River University.

Financial Summary Table

Employers' Associations Expenditures	2015/16 Estimated	Other Authorizations	Total Estimated	2015/16 Actual	Variance
Operating Expenses ($000)					
Operations	24,229	0	24,229	25,626	1,397
Total	**24,229**	**0**	**24,229**	**25,626**	**1,397**

Data Source: Financial statements for each of the employers' associations (unaudited).
Note: Expenditures are total expenditure of employers' associations included in the government reporting entity and are funded through transfers from government, membership dues, and other sources.

Appendix D: Minister's Mandate and Actions Summary

In the Premier's annual Mandate Letter to the Minister dated July 30, 2015, the Minister of Finance received direction on strategic priorities for the 2015/16 fiscal year. These priorities and the ministry's resulting actions are summarized below:

Mandate Letter Direction	Ministry's Action
Ensure Balanced Budget 2014/15 reports as balanced as per *Public Accounts* released in summer, 2015.	The *Public Accounts 2014/15* confirm a budget surplus of $1,683 million. The *Public Accounts 2015/16* confirm a budget surplus of $730 million.
Balance your ministerial budget in order to control spending and ensure an overall balanced budget for the province of B.C.	The Ministry met its fiscal budget targets and showed a surplus for fiscal years 2014/15 and 2015/16.
Protect British Columbia's triple-A credit rating.	The B.C. provincial credit rating remains triple-A.
Successfully conclude all outstanding collective agreements yet to be signed under the Economic Stability Mandate by June 30, 2016.	As of June 30, 2016 there are 178 tentative or ratified agreements completed under the mandate, covering more than 312,000 individuals or 99.9% of B.C.'s public sector unionized employees.
Work with the Ministry of Natural Gas Development to secure Project Development Agreements with LNG developers in British Columbia.	The first Project Development Agreement with Pacific Northwest LNG was ratified on July 23, 2015.
Work with the Ministry of Natural Gas to present options to Cabinet on the creation of the Prosperity Fund by the 2017 Spring Legislative session.	Budget 2016 Measures Implementation Act introduced legislation to create the BC Prosperity Fund.
Work with the Ministry of Transportation and Infrastructure to complete and implement any recommendations from the Crown Agency Review of BC Transit.	Internal Audit and Advisory Services submitted its review of BC Transit to the Steering Committee in Spring 2016.
Aggressively promote Vancouver as a global Renminbi trading centre by encouraging Asian lending institutions to open offices in Vancouver.	• The Minister hosted a RMB trade and investment summit in Vancouver on June 16, 2015. • The Ministry and Advantage BC launched a Web-based RMB toolkit on June 18, 2015. • The Minister accompanied the Premier on a trade mission to China in October 2015.
Examine the feasibility and make recommendations to Cabinet regarding the potential to issue British Columbia bonds into Indian Rupee market.	Supported the Minister on two rounds of government meetings in India to secure a letter of endorsement for the province's bond issuance plan and engaged with Indian corporations to support a B.C. bond issuance.
Work with BC industry to propose policy or tax changes to Cabinet that could improve the competitiveness of BC businesses that do not include the return of a harmonized sales tax.	Announced with Budget 2016, the B.C. Commission on Tax Competitiveness is tasked with making recommendations that position B.C 's tax structure to meet the economic realities of the future, while respecting the outcome of the 2011 referendum to eliminate the HST. Options put forward by the commission will include an analysis of their impact on British Columbians, including taxpayer fairness and household cost of living. The final

	report will make recommendations about improvements to enhance competitiveness and stimulate economic growth through increased productivity, investment and job creation.
Review and ensure that all remaining tax policy changes that were committed in *Strong Economy, Secure Tomorrow* are implemented no later than Budget 2017.	A number of election commitments were announced in Budget 2016, including implementing a farmers' food donation tax credit, expanding the small business venture capital tax credit by $5 million and increasing assessment relief in rural areas through enhancements under the *Tourist Accommodation (Assessment Relief) Act*. The remaining election commitments will be considered as part of Budget 2017.